

BEAVER CITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

With Report of
Certified Public Accountants



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

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FINANCIAL SECTION



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Beaver, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaver City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Beaver City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Beaver Valley Hospital, a component unit, whose financial statements reflect total assets of \$15,982,137 as of June 30, 2006, and total operating revenues of \$8,670,046 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the previously noted component unit in the component unit column, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Beaver City, Utah as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of Beaver City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver City's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Beaver City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hinton, Burdick, Hall, & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC

October 24, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Beaver City for the fiscal year ending June 30, 2006. Beaver City management encourages readers to consider the information presented here in conjunction with the financial statements that follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: Government activities refers to general administration, parks, streets, planning etc, while business-type activities refer to operations such as sewer, water, and electrical services.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$1,302,398 which resulted in total assets in excess of total liabilities (net assets) of \$14.4 million at the close of the fiscal year. Most of this increase is the result of adding real property, improvements and equipment to the asset list.
- Total governmental revenues, including taxes exceeded total governmental expenses by \$604,998
- Total business-type revenues exceeded total business-type expenses by \$697,400.
- Total revenues from all sources were \$5.38 million.
- The total costs of all City programs were \$4.08 million
- The General Fund reported excess expenditures over revenues of \$32,106.
- Actual resources received in the General Fund were less than the final budget by \$24,461 while actual expenditures were \$59,099 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$249,099 or 14.65% of total General Fund expenditures, excluding transfers.
- Proprietary Fund, net assets increased \$697,400. The water fund net assets increased by \$248,517; sewer fund net assets increased by \$105,127 and electric fund net assets increased by \$343,756. Beaver City increased water rates, effective July 1, 2004 to increase the water fund revenue.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements that include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well being of the City. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or

deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, judicial, public works, culture and recreation, community support and interest on long-term debt. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers to cover most of the costs of the services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds that aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, donations for a specific purpose and others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$14.4 million as of June 30, 2006 as shown in the following condensed

statement of net assets. The City has chosen to account for its water, sewer and electric operations in enterprise funds, which are shown as Business Activities.

**Beaver City
Statement of Net Assets**

	Governmental activities		Business-type activities	
	2006	2005	2006	2005
Current and other assets	\$ 1,387,211	\$ 997,167	\$ 4,707,684	\$ 4,042,107
Capital assets	3,017,111	2,492,538	9,809,571	9,875,653
Total assets	<u>4,404,322</u>	<u>3,489,705</u>	<u>14,517,255</u>	<u>13,917,760</u>
Long-term liabilities outstanding	368,721	417,337	3,200,204	3,383,054
Other liabilities	698,620	340,385	264,282	179,337
Total liabilities	<u>1,067,341</u>	<u>757,722</u>	<u>3,464,486</u>	<u>3,562,391</u>
Net assets:				
Invested in capital assets, net of related debt	2,663,980	2,075,201	6,679,550	6,553,436
Restricted	439,492	330,736	725,801	427,521
Unrestricted	233,509	326,046	3,647,418	3,374,412
Total net assets	<u>\$ 3,336,981</u>	<u>\$ 2,731,983</u>	<u>\$11,052,769</u>	<u>\$10,355,369</u>

Governmental Activities

The cost of all Governmental activities this year was \$1,311,206. As shown on the statement of Changes in Net Assets on the following page, \$369,458 of this cost was paid for by those who directly benefited from the programs; \$699,891 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1,069,349. General taxes and investment earnings totaled \$782,855.

The City's programs include: General Government, Public Safety, Public Works, Parks & Recreation and Community Development. Each program's revenues and expenses are presented below.

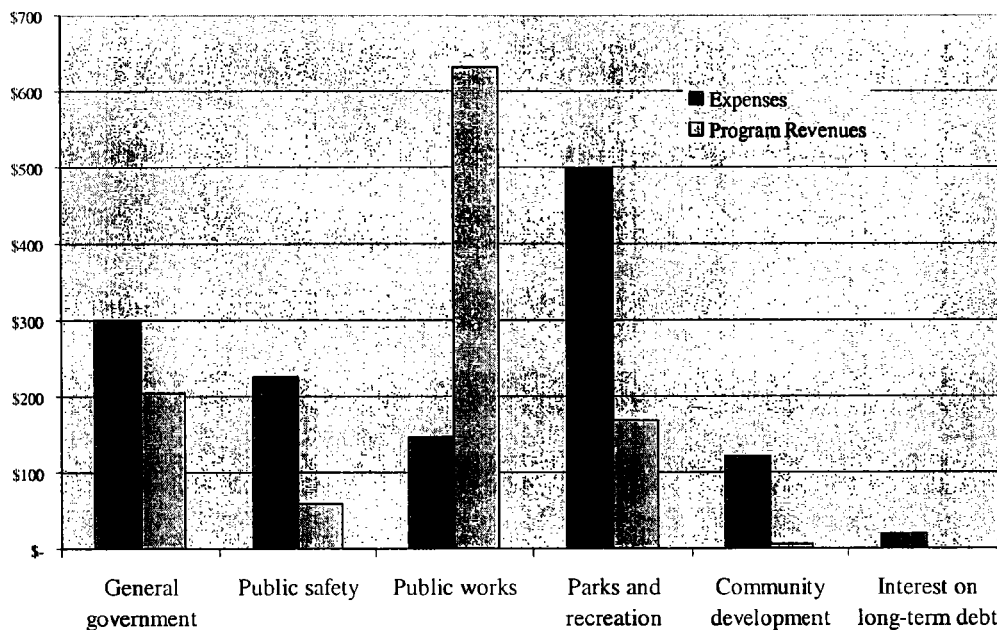
**Beaver City
Changes in Net Assets**

	Governmental activities		Business-type activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 369,458	\$ 240,724	\$ 3,270,130	\$ 2,693,271
Operating grants and contributions	231,880	19,207	-	-
Capital grants and contributions	468,011	555,814	107,206	-
General revenues:				
Taxes	765,956	650,502	-	-
Other	80,899	85,588	88,556	10,092
Total revenues	<u>1,916,204</u>	<u>1,551,835</u>	<u>3,465,892</u>	<u>2,703,363</u>
Expenses:				
General government	300,129	242,132	-	-
Public safety	225,185	216,221	-	-
Public works	147,218	308,845	-	-
Parks and recreation	498,641	368,722	-	-
Community development	120,622	244,922	-	-
Interest on long-term debt	19,411	21,411	-	-
Water	-	-	528,261	492,958
Sewer	-	-	282,975	270,263
Electric	-	-	1,957,256	1,781,408
Total expenses	<u>1,311,206</u>	<u>1,402,253</u>	<u>2,768,492</u>	<u>2,544,629</u>
Increase in net assets	604,998	322,448	697,400	158,734
Net assets, beginning	<u>2,731,983</u>	<u>2,409,535</u>	<u>10,355,369</u>	<u>10,196,635</u>
Net assets, ending	<u>\$ 3,336,981</u>	<u>\$ 2,731,983</u>	<u>\$ 11,052,769</u>	<u>\$ 10,355,369</u>

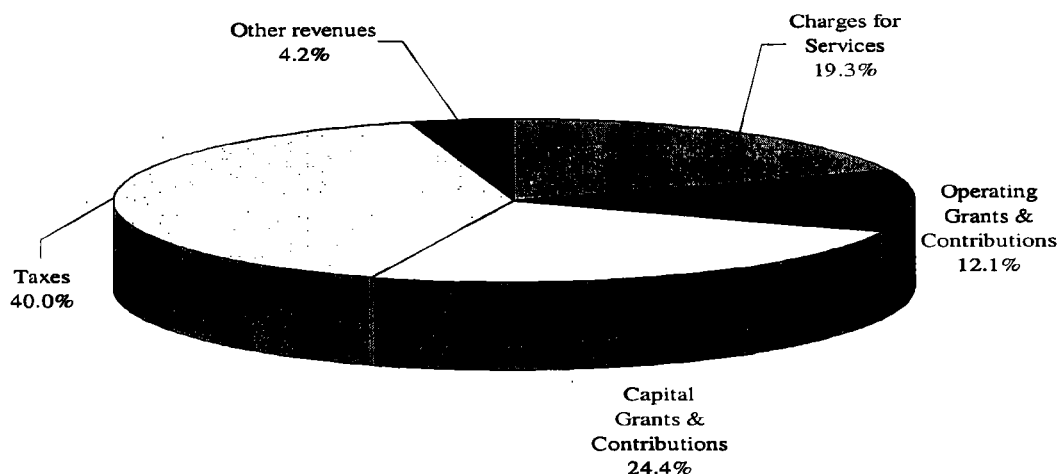
Total resources available during the year to finance governmental operations were \$4.65 million consisting of Net assets at July 1, 2005 of \$2.7 million, program revenues of \$1,069,349 and General Revenues of \$846,855. Total Governmental Activities during the year cost \$1.3 million; thus Governmental Net Assets were increased by \$604,998 to \$3.3 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



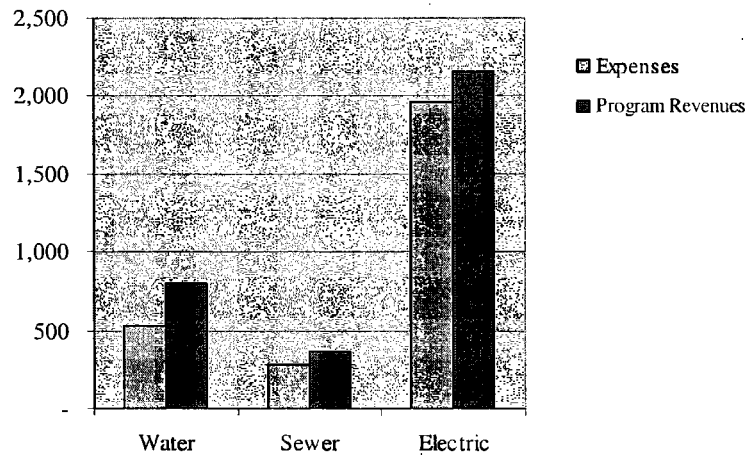
Revenue By Source - Governmental Activities



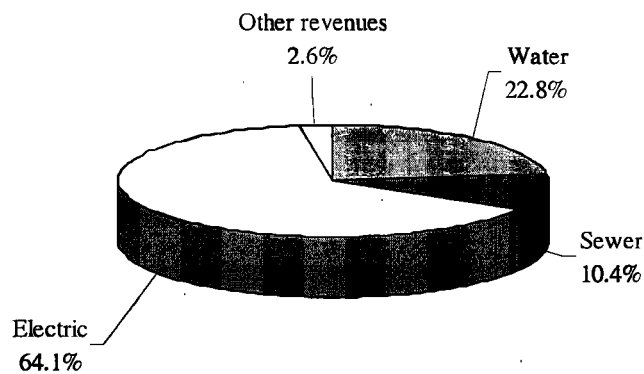
Business Type Activities

Net assets of the Business Type activities at June 30, 2006, as reflected in the Statement of Net Assets were \$11.05 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.77 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$3.27 million and \$107,206 was subsidized by capital grants and contributions. Interest earnings were \$152,556. The Net Assets increased by \$697,400.

Expenses and Program Revenues - Business-type Activities
(in Thousands)



Revenue By Source - Business-type Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$59,099 more than actual expenditures. The budget to actual variance in appropriations was principally due to estimates of anticipated expenditures by the Public Works department for road and other projects which carried over to the next fiscal year. Actual revenues were less than the final budget by \$24,461. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2006, net capital assets of the government activities totaled \$3.02 million and the net capital assets of the business-type activities totaled \$9.81 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had \$368,721 in governmental type debt, and \$3.16 million in proprietary debt. The debt is a liability of the government. During the current fiscal year, the City's total debt decreased by \$227,111. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2006/2007, the City Council and management were cautious as to the growth of revenues and expenditures. Even with careful budgeting, General Fund reserves are expected to decrease for the fiscal year 2006/2007.

COMPONENT UNIT – BEAVER VALLEY HOSPITAL

The Beaver City Council appoints two of the seven Hospital board members and the Beaver City Mayor is Chairman of the Board. In addition, Beaver City owns the Hospital's buildings through the Municipal Building Authority of Beaver City (the Authority). The Authority was formally recognized by the State of Utah as an incorporated entity in 1999. The Authority was formed for the purpose of acquiring; improving or extending any improvements, facility or properties, specifically, hospital and related facilities and the original Board of Trustees consists of the mayor and city council members of the City.

Complete financial statements of the individual component unit can be obtained by writing to the Beaver Valley Hospital, P.O. Box 1670, Beaver, UT 84713, or by calling 1 (435) 438-2531.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Beaver City Manager, 60 West Center Street, Beaver Utah, 84713.

BASIC FINANCIAL STATEMENTS

BEAVER CITY, UTAH
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 755,785	\$ 3,630,762	\$ 4,386,547	\$ 2,295,254
Receivables (net of allowance)	317,630	309,788	627,418	1,868,244
Inventory	-	354,622	354,622	167,380
Prepays	20,265	-	20,265	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	293,531	350,300	643,831	4,573,614
Deferred Charges	-	37,212	37,212	167,659
Notes receivable	-	25,000	25,000	-
Capital assets (net of accumulated depreciation):				
Land and water	163,697	279,701	443,398	155,971
Buildings	471,749	101,326	573,075	3,226,376
Improvements	1,904,946	-	1,904,946	-
Furniture and fixtures	8,763	-	8,763	-
Machinery and equipment	189,071	279,549	468,620	3,527,639
Automobiles and trucks	-	64,143	64,143	-
Distribution system	-	8,999,316	8,999,316	-
Construction in progress	-	85,536	85,536	-
Infrastructure	278,885	-	278,885	-
Total assets	<u>4,404,322</u>	<u>14,517,255</u>	<u>18,921,577</u>	<u>15,982,137</u>
Liabilities				
Accounts payable and other current liabilities	513,708	226,722	740,430	744,601
Deferred revenue	184,912	-	184,912	-
Interest payable	-	37,560	37,560	-
Noncurrent liabilities:				
Due within one year	43,278	203,004	246,282	4,569,462
Due in more than one year	325,443	2,997,200	3,322,643	6,160,645
Total liabilities	<u>1,067,341</u>	<u>3,464,486</u>	<u>4,531,827</u>	<u>11,474,708</u>
Net Assets				
Invested in capital assets, net of related debt	2,663,980	6,679,550	9,343,530	753,493
Restricted for:				
Debt service	119,568	350,300	469,868	4,573,614
Capital projects	139,100	-	139,100	-
Perpetual care	143,058	-	143,058	-
Other purposes	37,766	375,501	413,267	-
Unrestricted	233,509	3,647,418	3,880,927	(819,678)
Total Net Assets	<u>\$ 3,336,981</u>	<u>\$ 11,052,769</u>	<u>\$ 14,389,750</u>	<u>\$ 4,507,429</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
General government	\$ 300,129	\$ 204,858	\$ -	\$ (95,271)	\$ -	\$ (95,271)	\$ -
Public safety	225,185	55,010	3,968	(166,207)	-	(166,207)	-
Public works	147,218	25,364	152,616	485,170	-	485,170	-
Parks and recreation	498,641	84,226	75,296	(330,966)	-	(330,966)	-
Community development	120,622	-	-	(115,172)	-	(115,172)	-
Interest on long-term debt	19,411	-	-	(19,411)	-	(19,411)	-
Total governmental activities	1,311,206	369,458	231,880	(241,857)	-	(241,857)	-
Business-type activities:							
Water	528,261	766,683	-	-	238,422	238,422	-
Sewer	282,975	350,867	-	-	84,822	84,822	-
Electric	1,957,256	2,152,580	-	-	285,600	285,600	-
Total business-type activities	2,768,492	3,270,130	-	-	608,844	608,844	-
Total primary government	\$ 4,079,698	\$ 3,639,588	\$ 231,880	\$ (241,857)	\$ 608,844	\$ 366,987	-
Component units:							
Beaver Valley Hospital	\$ 8,861,588	\$ 8,670,046	\$ 42,992	-	-	-	(148,550)
Total component units	\$ 8,861,588	\$ 8,670,046	\$ 42,992	-	-	-	(148,550)
General Revenues:							
Taxes:							
Property taxes levied for general purposes				102,996	-	102,996	-
Sales and use taxes				388,132	-	388,132	371,060
Franchise taxes				1,200	-	1,200	-
Energy sales tax				224,384	-	224,384	-
Telephone utility tax				49,244	-	49,244	-
Unrestricted investment earnings				18,475	152,556	171,031	81,066
Gain (loss) on disposal of assets				(1,576)	-	(1,576)	22,450
Miscellaneous				-	-	-	-
Transfers				64,000	(64,000)	-	-
Total general revenues & transfers				846,855	88,556	935,411	474,576
Change in net assets				604,998	697,400	1,302,398	326,026
Net assets - beginning				2,731,983	10,355,369	13,087,352	4,181,403
Net assets - ending				\$ 3,336,981	\$ 11,052,769	\$ 14,389,750	\$ 4,507,429

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 673,557	\$ 82,228	\$ 755,785
Receivables	24,640	184,912	209,552
Due from other governments	108,078	-	108,078
Prepaid expenses	20,265	-	20,265
Restricted cash and cash equivalents	37,340	256,191	293,531
Total assets	<u>\$ 863,880</u>	<u>\$ 523,331</u>	<u>\$ 1,387,211</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 488,511	\$ 16,962	\$ 505,473
Accrued liabilities	8,235	-	8,235
Deferred revenue	-	184,912	184,912
Total liabilities	<u>496,746</u>	<u>201,874</u>	<u>698,620</u>
Fund Balances:			
Reserved for:			
Debt service	37,340	82,228	119,568
Capital outlay	42,929	96,171	139,100
Perpetual care	-	143,058	143,058
Other	37,766	-	37,766
Unreserved, reported in:			
General fund	224,662	-	224,662
General fund, designated	24,437	-	24,437
Total fund balances	<u>367,134</u>	<u>321,457</u>	<u>688,591</u>
Total liabilities and fund balances	<u>\$ 863,880</u>	<u>\$ 523,331</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,017,111
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(368,721)
Net assets of governmental activities	<u>\$ 3,336,981</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 82,076	\$ -	\$ 82,076
Fees in lieu of property taxes	20,920	-	20,920
Sales and use taxes	388,132	-	388,132
Franchise taxes	1,200	-	1,200
Energy sales tax	224,384	-	224,384
Telephone utility tax	49,244	-	49,244
Licenses, permits and fees	108,126	-	108,126
Intergovernmental revenue	608,689	5,000	613,689
Charges for services	156,267	-	156,267
Rental income	24,881	-	24,881
Special assessments	-	47,377	47,377
Contributions and donations	5,450	122	5,572
Investment earnings	18,473	29,777	48,250
Other revenues	66,862	16,800	83,662
	<u>1,754,704</u>	<u>99,076</u>	<u>1,853,780</u>
Expenditures			
Current:			
General government	283,822	576	284,398
Public safety	220,266	-	220,266
Public works	624,965	-	624,965
Parks and recreation	448,195	-	448,195
Community development	87,848	-	87,848
Debt service:			
Principal	30,966	24,000	54,966
Interest	4,748	14,663	19,411
Capital outlay:			
Capital outlay	-	145,922	145,922
	<u>1,700,810</u>	<u>185,161</u>	<u>1,885,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,894</u>	<u>(86,085)</u>	<u>(32,191)</u>
Other Financing Sources (Uses)			
Operating transfers in	74,000	160,000	234,000
Operating transfers out	(160,000)	(10,000)	(170,000)
	<u>(86,000)</u>	<u>150,000</u>	<u>64,000</u>
Net change in fund balances	(32,106)	63,915	31,809
Fund balances, beginning of year	<u>399,240</u>	<u>257,542</u>	<u>656,782</u>
Fund balances, end of year	<u>\$ 367,134</u>	<u>\$ 321,457</u>	<u>\$ 688,591</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 13)	\$ 31,809
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	526,149
Governmental funds report the gross proceeds from the sale of fixed assets as revenue. However, in the statement of activities, the gain or loss on the sale of capital assets is reported net of its net book value.	(1,576)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	48,616
Change in net assets of governmental activities	<u>\$ 604,998</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 84,824	\$ 85,424	\$ 82,076	\$ (3,348)
Fees in lieu of property taxes	18,000	21,000	20,920	(80)
Sales and use taxes	310,000	375,000	388,132	13,132
Franchise taxes	-	1,200	1,200	-
Energy sales tax	178,000	220,000	224,384	4,384
Telephone utility tax	44,000	48,000	49,244	1,244
Licenses, permits and fees	67,427	105,300	108,126	2,826
Intergovernmental revenue	208,650	600,657	608,689	8,032
Charges for services	134,750	133,000	156,267	23,267
Rental income	25,725	34,075	24,881	(9,194)
Contributions and donations	-	-	5,450	5,450
Investment earnings	8,050	48,200	18,473	(29,727)
Other revenues	50,200	107,309	66,862	(40,447)
Total revenues	1,129,626	1,779,165	1,754,704	(24,461)
Expenditures				
Current:				
General government	278,038	306,153	283,822	22,331
Public safety	221,989	221,990	220,266	1,724
Public works	121,983	621,461	624,965	(3,504)
Parks and recreation	469,225	485,324	448,195	37,129
Community development	75,250	88,995	87,848	1,147
Debt service:				
Principal	-	31,211	30,966	245
Interest	-	4,775	4,748	27
Total expenditures	1,166,485	1,759,909	1,700,810	59,099
Excess (deficiency) of revenues over (under) expenditures	(36,859)	19,256	53,894	34,638
Other Financing Sources (Uses)				
Operating transfers in	74,000	74,000	74,000	-
Operating transfers out	(126,200)	(160,000)	(160,000)	-
Total other financing sources and uses	(52,200)	(86,000)	(86,000)	-
Net change in fund balances	(89,059)	(66,744)	(32,106)	34,638
Fund balances, beginning of year	399,240	399,240	399,240	-
Fund balances, end of year	\$ 310,181	\$ 332,496	\$ 367,134	\$ 34,638

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Totals 2006</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 658,801	\$ 433,020	\$ 2,538,941	\$ 3,630,762
Receivables, net of allowance	52,870	42,941	213,977	309,788
Inventory	39,393	3,002	312,227	354,622
Total current assets	<u>751,064</u>	<u>478,963</u>	<u>3,065,145</u>	<u>4,295,172</u>
Noncurrent assets:				
Restricted cash and cash equivalents	100,500	249,800	-	350,300
Notes receivable	-	-	25,000	25,000
Bond discounts and issuance costs, net of accumulated amortization	18,730	6,163	-	24,893
Loss on defeasance	12,319	-	-	12,319
Capital assets:				
Land and water	269,738	4,863	5,100	279,701
Buildings	10,368	-	177,494	187,862
Machinery and equipment	273,623	168,683	515,919	958,225
Automobiles and trucks	26,487	21,259	210,274	258,020
Distribution system	5,656,771	4,762,069	5,227,255	15,646,095
Construction in progress	-	85,536	-	85,536
Less: Accumulated depreciation	<u>(2,607,693)</u>	<u>(1,822,653)</u>	<u>(3,175,522)</u>	<u>(7,605,868)</u>
Total noncurrent assets	<u>3,760,843</u>	<u>3,475,720</u>	<u>2,985,520</u>	<u>10,222,083</u>
Total assets	<u>4,511,907</u>	<u>3,954,683</u>	<u>6,050,665</u>	<u>14,517,255</u>
Liabilities				
Current liabilities:				
Accounts payable	9,344	4,441	140,756	154,541
Accrued liabilities	3,878	1,163	10,906	15,947
Customer deposits	-	2,400	53,834	56,234
Interest payable	10,477	27,083	-	37,560
Current portion of noncurrent liabilities	<u>123,004</u>	<u>80,000</u>	<u>-</u>	<u>203,004</u>
Total current liabilities	<u>146,703</u>	<u>115,087</u>	<u>205,496</u>	<u>467,286</u>
Noncurrent liabilities:				
Compensated absences payable	24,987	1,534	44,010	70,531
Leases payable	78,001	-	-	78,001
Bonds payable	1,426,700	1,624,972	-	3,051,672
Less current portion of noncurrent liabilities	<u>(123,004)</u>	<u>(80,000)</u>	<u>-</u>	<u>(203,004)</u>
Total noncurrent liabilities	<u>1,406,684</u>	<u>1,546,506</u>	<u>44,010</u>	<u>2,997,200</u>
Total liabilities	<u>1,553,387</u>	<u>1,661,593</u>	<u>249,506</u>	<u>3,464,486</u>
Net Assets				
Invested in capital assets, net of related debt	2,145,165	1,573,865	2,960,520	6,679,550
Restricted for debt service	100,500	249,800	-	350,300
Restricted for other purposes	328,223	47,278	-	375,501
Unrestricted	<u>384,632</u>	<u>422,147</u>	<u>2,840,639</u>	<u>3,647,418</u>
Total net assets	<u>\$ 2,958,520</u>	<u>\$ 2,293,090</u>	<u>\$ 5,801,159</u>	<u>\$ 11,052,769</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Totals 2006</u>
Operating revenues:				
Charges for services	\$ 509,049	\$ 279,877	\$ 1,897,489	\$ 2,686,415
Penalties	-	-	17,277	17,277
Other revenues	11,281	20,146	221,346	252,773
Total operating revenues	<u>520,330</u>	<u>300,023</u>	<u>2,136,112</u>	<u>2,956,465</u>
Operating expenses:				
Purchased power	-	-	1,089,028	1,089,028
Salaries and wages	171,540	52,720	470,779	695,039
Repairs and maintenance	100,098	21,991	146,083	268,172
Depreciation	191,548	129,795	191,274	512,617
Miscellaneous	2,235	500	92	2,827
Assessments	4,034	-	-	4,034
Administrative services	13,000	9,000	60,000	82,000
Total operating expenses	<u>482,455</u>	<u>214,006</u>	<u>1,957,256</u>	<u>2,653,717</u>
Operating income (loss)	<u>37,875</u>	<u>86,017</u>	<u>178,856</u>	<u>302,748</u>
Nonoperating revenues (expenses):				
Connection and impact fees	246,353	50,844	16,468	313,665
Interest income	26,095	28,305	98,156	152,556
Interest expense and fiscal charges	(45,806)	(68,969)	-	(114,775)
Total nonoperating revenues (expenses)	<u>226,642</u>	<u>10,180</u>	<u>114,624</u>	<u>351,446</u>
Income before contributions and transfers	<u>264,517</u>	<u>96,197</u>	<u>293,480</u>	<u>654,194</u>
Capital contributions	-	16,930	90,276	107,206
Transfers to other funds	(16,000)	(8,000)	(40,000)	(64,000)
Change in net assets	<u>248,517</u>	<u>105,127</u>	<u>343,756</u>	<u>697,400</u>
Total net assets, beginning of year	<u>2,710,003</u>	<u>2,187,963</u>	<u>5,457,403</u>	<u>10,355,369</u>
Total net assets, end of year	<u>\$ 2,958,520</u>	<u>\$ 2,293,090</u>	<u>\$ 5,801,159</u>	<u>\$ 11,052,769</u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Totals 2006</u>
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 501,095	\$ 276,770	\$ 1,938,262	\$ 2,716,127
Cash received from customers, capacity fees and other	11,281	20,146	221,346	252,773
Cash paid to suppliers	(118,290)	(36,036)	(1,218,701)	(1,373,027)
Cash paid to employees	(159,667)	(51,250)	(456,857)	(667,774)
Net cash flows from operating activities	<u>234,419</u>	<u>209,630</u>	<u>484,050</u>	<u>928,099</u>
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(16,000)	(8,000)	(40,000)	(64,000)
Net cash flows from noncapital financing activities	<u>(16,000)</u>	<u>(8,000)</u>	<u>(40,000)</u>	<u>(64,000)</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(117,167)	(77,000)	-	(194,167)
Interest paid	(42,952)	(69,852)	-	(112,804)
Purchase of fixed assets	(71,406)	(85,536)	(289,594)	(446,536)
Capital contributions	-	16,930	90,276	107,206
Connection and impact fees	246,353	50,844	16,468	313,665
Net cash flows from capital and related financing activities:	<u>14,828</u>	<u>(164,614)</u>	<u>(182,850)</u>	<u>(332,636)</u>
Cash flows from investing activities:				
Interest on investments	<u>26,095</u>	<u>28,305</u>	<u>98,156</u>	<u>152,556</u>
Net change in cash and cash equivalents	259,342	65,321	359,356	684,019
Cash and cash equivalents, beginning of year	<u>499,959</u>	<u>617,499</u>	<u>2,179,585</u>	<u>3,297,043</u>
Cash and cash equivalents, end of year	<u><u>\$ 759,301</u></u>	<u><u>\$ 682,820</u></u>	<u><u>\$ 2,538,941</u></u>	<u><u>\$ 3,981,062</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Net operating income (loss)	\$ 37,875	\$ 86,017	\$ 178,856	\$ 302,748
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	191,548	129,795	191,274	512,617
Changes in operating assets and liabilities:				
(Increase) Decrease in receivables	(7,954)	(3,107)	23,496	12,435
(Increase) Decrease in inventory	(3,089)	(1,534)	36,624	32,001
Increase (Decrease) in accounts payable	4,166	(3,011)	39,878	41,033
Increase (Decrease) in accrued liabilities	3,878	1,163	10,906	15,947
Increase (Decrease) in compensated absences payable	<u>7,995</u>	<u>307</u>	<u>3,016</u>	<u>11,318</u>
Net cash flows from operating activities	<u><u>\$ 234,419</u></u>	<u><u>\$ 209,630</u></u>	<u><u>\$ 484,050</u></u>	<u><u>\$ 928,099</u></u>

The accompanying notes are an integral part of the financial statements.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of Beaver City, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City.

As required by generally accepted accounting principles, these financial statements present Beaver City (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationships with the City, but is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

The following **discretely presented component unit** had separately issued financial statements and was audited by other independent auditors:

Beaver Valley Hospital (Enterprise Fund) - The Beaver City Council appoints two of the seven Hospital board members and the Beaver City Mayor is Chairman of the Board. In addition, Beaver City owns the Hospital's buildings through the Municipal Building Authority of Beaver City (the Authority). The Authority was formally recognized by the State of Utah as an incorporated entity in 1999. The Authority was formed for the purpose of acquiring; improving or extending any improvements, facility or properties, specifically, hospital and related facilities and the original Board of Trustees consists of the mayor and city council members of the City.

Complete financial statements of the individual component unit can be obtained by writing to the Beaver Valley Hospital, P.O. Box 1670, Beaver, UT 84713, or by calling 1 (435) 438-2531.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Sewer Fund is used to account for the provision of sewer services to the residents of the City.

The Electric Fund is used to account for the provision of electricity to the residents of the City.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

When both restricted and unrestricted assets are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed. The City does reserve the right to be selective in the use of such restricted assets that best fit the City's needs.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented. The accounts receivable balance of the Beaver Valley Hospital (Component Unit) of \$1,868,244 is shown net of an allowance for doubtful accounts and contractual adjustments of \$532,800.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has elected not to report its major general infrastructure assets retroactively. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Furniture and fixtures	7-10 years
Automobiles and trucks	5-10 years
Machinery and equipment	5-15 years
Distribution system	10-50 years
Infrastructure	40 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the City.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Notes Payable	\$ 42,819
Bonds Payable	277,000
Capital Leases	33,312
Compensated absences	<u>15,590</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 368,721</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 718,687
Depreciation Expense	<u>(192,538)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u>\$ 526,149</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting, except that depreciation for all proprietary fund types is not budgeted.

Taxes

Property taxes are collected by the Beaver County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at 55 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2006, \$552,139 of the City's bank balance of \$752,139 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	4,363,744	\$4,363,744	\$ -	\$ -	\$ -
Total Fair Value	<u>\$4,363,744</u>	<u>\$4,363,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$4,363,744	\$ -	\$ -	\$ -	\$4,363,744
Total Fair Value	<u>\$4,363,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,363,744</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
Capital assets, not being depreciated:				
Land	\$ 163,697	\$ -	\$ -	\$ 163,697
Total capital assets, not being depreciated	<u>163,697</u>	<u>-</u>	<u>-</u>	<u>163,697</u>
Capital assets, being depreciated:				
Buildings	885,554	-	-	885,554
Improvements	2,262,978	532,209	-	2,795,187
Furniture & fixtures	27,672	1,696	-	29,368
Machinery & equipment	658,002	53,299	33,561	677,740
Infrastructure	157,234	131,483	-	288,717
Total capital assets, being depreciated	<u>3,991,440</u>	<u>718,687</u>	<u>33,561</u>	<u>4,676,566</u>
Less accumulated depreciation for:				
Buildings	(386,383)	(27,421)	-	(413,804)
Improvements	(776,252)	(113,989)	-	(890,241)
Furniture & fixtures	(17,532)	(3,073)	-	(20,605)
Machinery & equipment	(478,173)	(42,481)	(31,985)	(488,669)
Infrastructure	(4,258)	(5,574)	-	(9,832)
Total accumulated depreciation	<u>(1,662,598)</u>	<u>(192,538)</u>	<u>(31,985)</u>	<u>(1,823,151)</u>
Total capital assets, being depreciated, net	<u>2,328,842</u>	<u>526,149</u>	<u>1,576</u>	<u>2,853,415</u>
Governmental activities capital assets, net	<u>\$ 2,492,539</u>	<u>\$ 526,149</u>	<u>\$ 1,576</u>	<u>\$ 3,017,112</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets, Continued

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:

General government	\$ 16,259
Public safety	4,583
Highways	54,076
Parks and recreation	81,447
Community development	36,173
Total depreciation expense - governmental activities	<u>\$ 192,538</u>

Business Type Activities:

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
Capital assets not being depreciated:				
Land and water	\$ 279,701	\$ -	\$ -	\$ 279,701
Construction in progress	-	85,536	-	85,536
Total capital assets, not being depreciated	<u>279,701</u>	<u>85,536</u>	<u>-</u>	<u>365,237</u>
Capital assets being depreciated:				
Buildings	187,862	-	-	187,862
Machinery and equipment	957,301	2,029	1,105	958,225
Autos and trucks	258,020	-	-	258,020
Distribution system	15,287,126	358,969	-	15,646,095
Total capital assets, being depreciated	<u>16,690,309</u>	<u>360,998</u>	<u>1,105</u>	<u>17,050,202</u>
Less accumulated depreciation for:				
Buildings	(82,112)	(4,424)	-	(86,536)
Machinery and equipment	(618,858)	(60,923)	(1,105)	(678,676)
Autos and trucks	(164,105)	(29,772)	-	(193,877)
Distribution system	(6,229,281)	(417,498)	-	(6,646,779)
Total accumulated depreciation	<u>(7,094,356)</u>	<u>(512,617)</u>	<u>(1,105)</u>	<u>(7,605,868)</u>
Total capital assets, being depreciated, net	<u>9,595,953</u>	<u>(151,619)</u>	<u>-</u>	<u>9,444,334</u>
Business-type activities capital assets, net	<u>\$ 9,875,654</u>	<u>\$ (66,083)</u>	<u>\$ -</u>	<u>\$ 9,809,571</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the primary government and the component unit for the year ended June 30, 2006.

	Primary Government			Balance 6/30/2006	Current Portion
	Balance 6/30/2005	Additions	Retirements		
Governmental Activities:					
Note payable	\$ 63,033	\$ -	\$ 20,214	\$ 42,819	\$ 22,173
Special assessments	301,000	-	24,000	277,000	10,000
Capital leases	44,064	-	10,752	33,312	11,105
Accrued compensated absences	9,240	-	(6,350)	15,590	-
Governmental activity					
Long-term liabilities	<u>\$ 417,337</u>	<u>\$ -</u>	<u>\$ 48,616</u>	<u>\$ 368,721</u>	<u>\$ 43,278</u>
Business-type Activities:					
General obligation bonds	\$ 547,000	\$ -	\$ 46,000	\$ 501,000	\$ 48,000
Revenue bonds	2,673,672	-	123,000	2,550,672	129,000
Less deferred amounts:					
For issuance discounts	(27,580)	-	(2,687)	(24,893)	-
On refunding	(13,987)	-	(1,668)	(12,319)	-
Total bonds payable	3,179,105	-	164,645	3,014,460	177,000
Capital leases	103,168	-	25,167	78,001	26,004
Accrued compensated absences	59,214	-	(11,317)	70,531	-
Business type activity					
Long-term liabilities	<u>\$ 3,341,487</u>	<u>\$ -</u>	<u>\$ 178,495</u>	<u>\$ 3,162,992</u>	<u>\$ 203,004</u>
Total long-term liabilities	<u>\$ 3,758,824</u>	<u>\$ -</u>	<u>\$ 227,111</u>	<u>\$ 3,531,713</u>	<u>\$ 246,282</u>
	Component Unit			Balance 6/30/2006	Current Portion
	Balance 6/30/2005	Additions	Retirements		
Revenue bonds	\$ 5,928,000	\$ 5,948,000	\$ 1,594,838	\$ 10,281,162	\$ 4,502,000
Notes payable	72,686	-	72,686	-	-
Capital leases	-	472,500	23,555	448,945	67,462
Component unit					
Long-term liabilities	<u>\$ 6,000,686</u>	<u>\$ 6,420,500</u>	<u>\$ 1,691,079</u>	<u>\$ 10,730,107</u>	<u>\$ 4,569,462</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Long-term debt for the primary government and component unit at June 30, 2006 is comprised of the following issues:

PRIMARY GOVERNMENT

(1) Note Payable:

Golf Course Sprinkler Fund:

Golf Course Sprinkler fund note payable due in annual principal and interest installments of \$25,345 bearing interest at 6.375%, maturing June 1, 2008.

\$ 42,819

(2) Special Assessment Bonds:

Debt Service Fund:

Special Assessment Bonds Series 2000 due in annual principal and interest installments ranging from \$23,304 to \$24,340, with interest ranging from 4.9% to 5.3%, maturing March 15, 2004.

153,000

Special Assessment Bonds Series 2001 due in annual principal and interest installments ranging from \$15,788 to \$16,675, with interest ranging from 4.85% to 5.45%, maturing March 12, 2016.

124,000

Total special assessment bonds

277,000

(3) General Obligation Bonds:

Water Fund:

General Obligation Water Refunding Bonds, Series 2003, due in annual installments at varying amounts through March 1, 2015, with 3.7% interest.

501,000

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

(4) Revenue Bonds:

Water Fund:

Water Improvement Subordinated Revenue Bonds, Series 1990, due in annual installments at varying amounts through January 2016, with 5% interest, payable from water fund revenues. 136,700

Water Revenue Bonds, Series 2002, due in annual installments at varying amounts through January 1, 2012 at interest rates from 2.10% to 3.95%; payable from water fund revenues. 279,000

Water Revenue Bonds, Taxable Series 1997B, due in annual installments at varying amounts starting January 1, 2013, maturing January 1, 2018, payable from water fund revenues. 510,000

Sewer Fund:

Sewer Revenue Bonds, Series 2001, due in annual installments at varying amounts through February 1, 2022 at 4% interest, payable from sewer fund revenues. 1,624,972

Total revenue bonds 2,550,672

(5) Leases Payable:

General:

Lease payable in annual installments of \$12,214 through February 2009, at interest between 3.385% and 5.99% 33,312

Water Fund:

Lease payable in annual installments of \$28,597 through February 2009, at interest between 3.385% and 5.99% 78,001

Total leases payable 111,313

Accrued vacation and comp time payable 86,121

Less: Deferred amounts for issuance discounts on bond refunding (37,212)

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Total long-term debt	3,531,713
Less: Current portion	
Business-type activities	(203,004)
Governmental-type activities	(43,278)
Net long-term debt	<u>\$ 3,285,431</u>

COMPONENT UNIT

Revenue Bonds:

0.00% Series 2006A Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2025, collateralized by certain property and equipment.	\$ 940,000
3.00% Series 2006B Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2025, collateralized by certain property and equipment.	417,000
5.59% Series 2006C Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2026, collateralized by certain property and equipment.	4,559,162
4.18% Series 1999C Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2006, collateralized by certain property and equipment.	<u>4,365,000</u>
Total revenue bonds	<u>10,281,162</u>

Capital Lease:

Capital lease obligations, at varying rates of imputed interest from 5.0% to 6.3% collateralized by leased equipment with original cost of \$472,500	<u>448,945</u>
Total component unit long-term debt	10,730,107
Less: Current portion	<u>(4,569,462)</u>
Net component unit long-term debt	<u>\$ 6,160,645</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Governmental Accounting Standards Board requires special assessment debt to be recorded on the books when establishment and maintenance of a guarantee fund is required; however, the Assessment Bonds are not general obligations of the City, but are payable exclusively out of the Special Assessment Fund and the Guaranty Fund. The City shall not be held liable for the payment of the Assessment Bonds, except to the extent of the Special Assessment Fund and Guaranty Fund, but shall be held responsible for the lawful levy of all regular assessments, for the maintenance of the Guaranty Fund as provided by law, and for the faithful accounting, collection, settlement and payment of the assessments and the moneys in said Funds

The annual requirements to amortize bonds payable at June 30, 2006 are as follows:

Fiscal Year Ended June 30	Primary Government					
	Governmental-type Activities					
	Note Payable Sprinklers		South Sewer SID		Industrial Park SID	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	22,173	3,096	16,000	8,025	10,000	6,582
2008	20,646	1,599	17,000	7,177	10,000	6,052
2009	-	-	18,000	6,267	11,000	5,517
2010	-	-	18,000	5,304	11,000	4,923
2011	-	-	19,000	4,368	12,000	4,329
2012	-	-	20,000	3,380	13,000	3,675
2013	-	-	22,000	2,340	13,000	2,993
2014	-	-	23,000	1,196	14,000	2,310
2015	-	-	-	-	15,000	1,575
2016	-	-	-	-	15,000	788
Total	<u>\$ 42,819</u>	<u>\$ 4,695</u>	<u>\$ 153,000</u>	<u>\$ 38,057</u>	<u>\$ 124,000</u>	<u>\$ 38,744</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended June 30	Business-type Activities					
	Water		Sewer		Water	
	Revenue Bonds		Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	49,000	17,091	80,000	64,999	48,000	18,537
2008	52,000	15,306	84,000	61,799	50,000	16,761
2009	58,000	13,341	87,000	58,439	51,000	14,911
2010	61,000	11,085	91,000	54,959	54,000	13,024
2011	65,000	8,635	94,000	51,319	55,000	11,026
2012	68,000	5,983	98,000	47,559	58,000	8,991
2013	91,000	3,150	102,000	43,639	60,000	6,845
2014	94,000	2,400	106,000	39,559	62,000	4,625
2015	99,000	1,650	110,000	35,319	63,000	2,331
2016	103,700	850	115,000	30,917	-	-
2017	91,000	-	119,000	26,319	-	-
2018	94,000	-	124,000	21,559	-	-
2019	-	-	129,000	16,599	-	-
2020	-	-	134,000	11,439	-	-
2021	-	-	140,000	6,079	-	-
2022	-	-	11,972	480	-	-
Total	<u>\$ 925,700</u>	<u>\$ 79,491</u>	<u>\$ 1,624,972</u>	<u>\$ 570,983</u>	<u>\$ 501,000</u>	<u>\$ 97,051</u>

Fiscal Year Ended June 30	Component Unit	
	Bonds and Notes Payable	
	Principal	Interest
2007	4,502,000	247,870
2008	187,000	257,354
2009	193,000	247,900
2010	208,000	237,717
2011	214,000	227,115
2012-2016	1,272,000	952,828
2017-2021	1,663,000	588,241
2022-2026	2,042,162	250,830
Total	<u>\$10,281,162</u>	<u>\$3,009,855</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 7. Capital Leases

The City has entered into two lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The leases are with Utah Independent Bank with one recorded in the water fund and one recorded with the governmental-type activities. Equipment under capitalized leases at June 30, 2006 amounts to \$163,209 in the water fund and \$75,000 in the governmental-type activities. Accumulated depreciation on leased assets at June 30, 2006 amounts to \$102,977 in the water fund and \$31,875 in the governmental-type activities. The following is an annual schedule of future minimum lease payments at 3.39%, 3.39% and 9.5% interest respectively, under the capital leases, together with the present value of the net minimum lease payments:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Primary Government Total</u>
2007	12,213	28,598	40,811
2008	12,213	28,597	40,810
2009	11,090	25,967	37,057
Total remaining minimum lease payments	35,516	83,162	118,678
Less amount representing interest	(2,204)	(5,161)	(7,365)
Present value of net remaining minimum lease payments	<u>\$ 33,312</u>	<u>\$ 78,001</u>	<u>\$ 111,313</u>

NOTE 8. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

	<u>Transfers From</u>					
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund	\$ -	\$ 16,000	\$ 8,000	\$ 40,000	\$ 10,000	\$ 74,000
Nonmajor Governmental	160,000	-	-	-	-	160,000
Total	<u>\$ 160,000</u>	<u>\$ 16,000</u>	<u>\$ 8,000</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>	<u>\$ 234,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the utility funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 9. Defeasance of Long-Term Debt

On November 18, 2003, the City issued \$653,000 in General Obligation Water Refunding Bonds bearing interest at 3.70%. The proceeds were used to advance refund \$613,000 of outstanding 1990 General Obligation Water Bonds bearing interest of 5.00%. As a result, the \$613,000 principal amount is considered to be defeased and the related liability has been removed from the City's books.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,940. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the effective interest method. Interest expense charged to operations through June 30, 2006 totaled \$495. The City completed the advance refunding to reduce its total debt service payments over the next 10 years by \$32,609 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$25,575.

NOTE 10. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 10. Equity Classifications, Continued

At June 30, 2006, the City's reserved and designated fund balances are as follows:

General Fund:

Reserved:

Special assessment bonds	\$ 37,340
B&C Road	42,929
Library	37,766
	<u>\$ 118,035</u>

Designated:

Golf course sprinklers	\$ 1,082
Golf course path	11,702
Airport improvements	11,653
	<u>\$ 24,437</u>

Capital Projects Funds:

Baseball field improvements	\$ 66,789
Discovery park improvements	29,382
	<u>\$ 96,171</u>

Debt Service Fund:

Reserved for debt service	\$ 82,228
	<u>\$ 82,228</u>

Water Fund:

Bond reserve funds	\$ 100,500
Water impact fees	80,425
Water acquisition fees	247,798
	<u>\$ 428,723</u>

Sewer Fund:

Bond reserve funds	\$ 249,800
PTIF Sewer loan and related retainage escrows	-
Sewer impact fees	47,278
	<u>\$ 297,078</u>

Trust Fund:

Cemetery Perpetual Care	\$ 143,058
	<u>\$ 143,058</u>

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 11. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Beaver City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Beaver City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 11. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2006 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2006	N/A	N/A	\$ 58,584	\$ 528,256
2005	N/A	N/A	54,336	489,955
2004	N/A	N/A	41,740	433,889
Defined Contribution System:				
457 Plan				
2006	\$ 15,752	\$ 32,705		
2005	11,517	25,880		
2004	6,626	8,083		
401 (k) Plan				
2006	\$ 7,796	\$ 32,823		
2005	7,319	37,501		
2004	11,391	33,473		

The contributions were equal to the required contributions for each year.

Beaver City participates in a 457 Deferred Compensation Plan.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than previously as an "Agency Fund". Now all of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The assets are no longer assets of the employer and are not to be included in the employer financial statements.

BEAVER CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust. Worker's compensation coverage is carried through the Worker's Compensation Fund of Utah.

NOTE 13. Contingencies

The component unit purchases professional and general liability insurance to cover medical malpractice claims. From time to time, there are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the component unit's future financial position or results from operations.

NOTE 14. Individual Fund Disclosures

Segment Information

For information on the Enterprise funds, see the Proprietary Funds financial statements in the basic financial statements.

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

North Park SID Fund – This fund is used to account for the funds accumulated and payments made for the Series 1996 Special Assessment Bonds.

South Sewer SID Fund – This fund is used to account for the funds accumulated and payments made for the Series 2000 Special Assessment Bonds.

Industrial Park SID Fund – This fund is used to account for the funds accumulated and payments made for the Series 2001 Special Assessment Bonds.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

Discovery Park Capital Project Fund – This fund is used to account for the construction of the Discovery Park recreation facilities for the City.

Baseball Capital Project Fund – This fund is used to account for the construction and improvements to the City's baseball diamonds.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – This fund is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

BEAVER CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Debt Service			
	North Park SID	South Sewer SID	Industrial Park SID	Total
Assets				
Cash and cash equivalents	\$ 449	\$ 52,057	\$ 29,722	\$ 82,228
Receivables	441	77,627	106,844	184,912
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 890</u>	<u>\$ 129,684</u>	<u>\$ 136,566</u>	<u>\$ 267,140</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	441	77,627	106,844	184,912
Total liabilities	<u>441</u>	<u>77,627</u>	<u>106,844</u>	<u>184,912</u>
Fund Balances:				
Reserved for:				
Debt service	449	52,057	29,722	82,228
Capital outlay	-	-	-	-
Perpetual Care	-	-	-	-
Unreserved, undesignated	-	-	-	-
Total fund balances	<u>449</u>	<u>52,057</u>	<u>29,722</u>	<u>82,228</u>
Total liabilities and fund balances	<u>\$ 890</u>	<u>\$ 129,684</u>	<u>\$ 136,566</u>	<u>\$ 267,140</u>

Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds
Discovery Park	Baseball	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ 82,228
-	-	-	-	184,912
29,382	83,751	113,133	143,058	256,191
<u>\$ 29,382</u>	<u>\$ 83,751</u>	<u>\$ 113,133</u>	<u>\$ 143,058</u>	<u>\$ 523,331</u>
\$ -	\$ 16,962	\$ 16,962	\$ -	\$ 16,962
-	-	-	-	184,912
-	16,962	16,962	-	201,874
-	-	-	-	82,228
29,382	66,789	96,171	-	96,171
-	-	-	143,058	143,058
-	-	-	-	-
29,382	66,789	96,171	143,058	321,457
<u>\$ 29,382</u>	<u>\$ 83,751</u>	<u>\$ 113,133</u>	<u>\$ 143,058</u>	<u>\$ 523,331</u>

BEAVER CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Debt Service			
	North Park SID	South Sewer SID	Industrial Park SID	Total
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Special assessments	133	16,728	30,516	47,377
Contributions and donations	-	-	-	-
Investment earnings	34	14,185	8,024	22,243
Other revenues	-	-	-	-
Total revenues	167	30,913	38,540	69,620
Expenditures				
Current:				
General government	-	250	326	576
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	15,000	9,000	24,000
Interest	-	7,627	7,036	14,663
Capital outlay:				
Capital outlay	-	-	-	-
Total expenditures	-	22,877	16,362	39,239
Excess (deficiency) of revenues over (under) expenditures	167	8,036	22,178	30,381
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	167	8,036	22,178	30,381
Fund balances, beginning of year	282	44,021	7,544	51,847
Fund balances, end of year	\$ 449	\$ 52,057	\$ 29,722	\$ 82,228

Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds
Discovery Park	Baseball	Total	Perpetual Care	
\$ -	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
-	-	-	-	47,377
122	-	122	-	122
1,214	649	1,863	5,671	29,777
-	-	-	16,800	16,800
1,336	5,649	6,985	22,471	99,076
-	-	-	-	576
-	-	-	-	-
-	-	-	-	24,000
-	-	-	-	14,663
-	145,922	145,922	-	145,922
-	145,922	145,922	-	185,161
1,336	(140,273)	(138,937)	22,471	(86,085)
-	160,000	160,000	-	160,000
-	-	-	(10,000)	(10,000)
-	160,000	160,000	(10,000)	150,000
1,336	19,727	21,063	12,471	63,915
28,046	47,062	75,108	130,587	257,542
\$ 29,382	\$ 66,789	\$ 96,171	\$ 143,058	\$ 321,457

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SUPPLEMENTARY INFORMATION

BEAVER CITY				
SCHEDULE OF IMPACT FEES				
FOR THE YEAR ENDED JUNE 30, 2006				
Beaver City collects water system, water acquisition, and sewer impact fees.				
The following is a recap of the impact fees collected beginning FY 2006.				
Year Collected	Water Impact	Water acquisition	Sewer	Project
FY 2006 (7-1-05 to 6/30/06)	\$ 612.00	\$ 1,138.00	\$ 950.00	Lonnie Olsen
	\$ 1,400.00	\$ 1,585.00		Karl Snedleger
	\$ 1,400.00	\$ 1,585.00		Ricky Hunt
	\$ 612.50	\$ 1,137.50	\$ 950.00	Lynn Boyter
			\$ 950.00	Mike Christensen
	\$ 865.00	\$ 885.00	\$ 950.00	Bill Warby
	\$ 857.50	\$ 1,592.50		Max Gardner
	\$ 857.50	\$ 1,592.50	\$ 950.00	Jesse Riker
	\$ 612.50	\$ 1,137.50	\$ 950.00	Phillip Jessup
		\$ 9,510.00		Kinross subdivision
	\$ 612.50	\$ 1,137.50	\$ 950.00	Paul Porter Const
	\$ 612.50	\$ 1,132.50	\$ 950.00	Dee Vee Porter
	\$ 612.50	\$ 1,137.50	\$ 950.00	Paul Porter Const
	\$ 2,450.00			Mike Dalton
	\$ 865.00	\$ 3,200.00	\$ 950.00	Reed Carter
	\$ 1,178.00	\$ 2,187.00	\$ 950.00	Jim Porter
	\$ 1,178.00	\$ 2,187.00	\$ 950.00	Jack Wilson
	\$ 1,000.00	\$ 3,065.00	\$ 950.00	Eric Edwards
			\$ 950.00	Atkin Const
	\$ 1,035.00	\$ 2,346.00	\$ 950.00	Donnie Downs
	\$ 1,035.00	\$ 2,346.00	\$ 950.00	Alan Smith
		\$ 9,510.00		Larson Subdivision
		\$ 9,384.00		Dale Lessing
		\$ 4,692.00		Hal Lessing
	\$ 1,035.00	\$ 2,512.00	\$ 950.00	Porter Const.
	\$ 1,035.00	\$ 723.00	\$ 950.00	Bret Black
	\$ 1,035.00	\$ 3,138.00	\$ 950.00	Tim Tebbs Const.
	\$ 1,035.00	\$ 3,138.00	\$ 950.00	Tim Tebbs Const.
	\$ 1,035.00	\$ 723.00	\$ 950.00	Beaver Housing Auth.
	\$ 1,035.00	\$ 2,346.00	\$ 950.00	Beaver Housing Auth.
	\$ 1,035.00	\$ 723.00	\$ 950.00	Beaver Housing Auth.
	\$ 1,035.00	\$ 2,346.00	\$ 950.00	Beaver Housing Auth.
	\$ 1,035.00	\$ 723.00	\$ 950.00	Beaver Housing Auth.
	\$ 18,133.20	\$ 41,101.92	\$ 16,644.00	Beaver County Jail
	\$ 1,035.00	\$ 2,512.00	\$ 950.00	Shane Sagers
	\$ 1,035.00		\$ 950.00	Debra Shepherd
	\$ 1,035.00	\$ 3,555.00	\$ 950.00	Porter Const.
	\$ 1,035.00	\$ 3,555.00	\$ 950.00	Porter Const.

	\$ 1,035.00	\$ 3,555.00	\$ 950.00	Les Gale
	\$ 1,035.00	\$ 2,512.00	\$ 950.00	Cameron Noel
			\$ 950.00	Camperland
	\$ 1,035.00	\$ 4,774.00		Eric Nielson
	\$ 1,035.00	\$ 3,555.00	\$ 950.00	Les Williams
	\$ 1,035.00	\$ 1,121.00	\$ 950.00	Jace Lambeth
	\$ 1,035.00	\$ 1,121.00	\$ 950.00	Steve Kerksiek
	\$ 1,035.00	\$ 2,512.00	\$ 950.00	Wade Hollingshead
Subtotal	\$ 56,628.70	\$ 148,733.42	\$ 50,844.00	
Interest earned	\$ 1,921.76	\$ 6,493.22	\$ 759.50	
Total for year	\$ 58,550.46	\$ 155,231.64	\$ 51,603.50	
Expenditures for FY	\$ -	\$ 165.00	\$ (7,500.00)	
Beginning balance	\$ 21,874.23	\$ 92,401.94	\$ 3,174.53	
Fund Total	\$ 80,424.69	\$ 247,798.58	\$ 47,278.03	
Ending Balance of fund				
Financial Statement difference	\$ 58,550.46	\$ 155,396.64	\$ 51,603.50	
	\$ -	\$ 165.00	\$ -	
The following capital projects are planned to use the impact fees shown above:				
Water System impact fees are used to help pay for a water improvement project completed in 2000 at a cost of \$1,615,000.00. This consisted of two new water tanks, a new well, and water lines.				
Water Acquisition fees are used to purchase water rights or develop water sources to provide culinary and irrigation water to Beaver City residences. Water rights costs have sky-rocketed the past 18 months, so purchasing of additional water rights has been curtailed. The City is now looking into a water treatment plant with an estimated cost of \$2,000,000.00 with a possible 2012 date. No impact fee funds were spent during the FY 06.				
Sewer Impact Fees are used to help pay for a sewer improvement project completed in 2004 at at cost of \$2,000,000. This consisted of new sewer main lines, new pump station, and two new sewer lagoons.				

FEDERAL AND STATE REPORTS



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Members of the City Council
Beaver, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaver City, Utah, as of and for the year ended June 30, 2006, which collectively comprise Beaver City's basic financial statements and have issued our report thereon dated October 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Beaver Valley Hospital, a component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the internal control over financial reporting and on compliance and other matters, is based on the report of other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Beaver City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Beaver City in the accompanying management letter dated October 24, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaver City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Beaver City, Utah, in a separate letter dated October 24, 2006.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Hinton, Burdick, Hall, & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
October 24, 2006



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CPAS & ADVISORS

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Members of the City Council
Beaver, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of Beaver City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 24, 2006. As part of our audit, we have audited Beaver City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Issues
Department of Commerce
Impact Fees & Other Development Fees
Asset Forfeitures

The management of Beaver City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

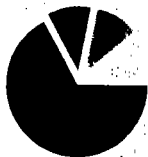
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Beaver City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hinton, Burdick, Hall, & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
October 24, 2006



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CPAs & ADVISORS

Findings and Recommendations For the Year Ended June 30, 2006

The Honorable Mayor and
City Council
Beaver City, Utah

Ladies & Gentlemen:

During our audit of the funds of Beaver City for the fiscal year ended June 30, 2006, we noted a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

Compliance Findings and Recommendations:

06-01. Budgetary Compliance

Finding

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized departmental budget. The "Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual" identifies over-expended budget amounts. We also noted that the expenditures in the Baseball capital projects fund exceeded the budgeted amounts.

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental and fund budgets.

Client Response

In our June budget amendment, the budget was reduced because we thought we had everything covered for the year. There is approximately \$5,000 in expenses and the labor that had been charged to enterprise funds that was rebooked to the Baseball project by our auditors.

We will monitor accounts closer and make sure, to the best of our ability, that funds are booked right. If the City Fathers want to contribute labor to the projects, then it will have to be budgeted for.

MEMBERS:

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06-02. Budgetary Compliance

Finding

State law requires that a notice of public hearings on budgets be published in at least one issue of a newspaper of general circulation or the notice may be posted in three public places within the City's jurisdiction at least 7 days prior to the hearing. We noted that the public hearing held in February to amend the budget was not advertised as required by State law, however, we did note that proper advertisement was made for both the adoption of the budget and the amendment made in June.

Recommendation

We recommend that at least seven days prior to each budget hearing the City post notices in three public places or publish the notice in the newspaper as required by State law and retain evidence of such posting.

Client Response

A notice of public hearing was emailed to the Beaver Press for publication. It did not get published. We are now sending all emails with a "read receipt" required so we know they get it.

06-03. General Fund Balance

Finding

Utah Code 10-6-116(4) requires that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund (Utah Code 10-6-116(2)). We noted that the City has exceeded the maximum of 18% in the general fund.

Recommendation

We recommend that the City make adjustments as necessary to the upcoming year's budget in order to reduce the excess fund balance.

Client Response

We budgeted to keep the General Fund under 18%. Our auditor tells us that he is required to pull out all transfers into the General Fund, therefore our General Fund revenue is less than we budgeted. We do not think this is what the State Code says, and how are we to know that transfers are not revenue?

General Findings and Recommendations:

06-01. Cash Disbursement Procedures

Finding

The City has established various procedures for the control of cash disbursements. However, during our audit we noted a few instances where these procedures were not followed by staff members. One of these instances resulted in an employee making a purchase of a personal item through the City's account with a vendor. The item was paid for personally, so City funds were not used; however, the individual was not charged sales tax for the item. We also noted that other

requirements of the purchasing policy regarding the use of purchase orders are not being followed.

Recommendation

We recommend that the City re-emphasize its cash disbursement procedures for better control of cash disbursements in the future

Client Response

The items in question were personally paid for and never appear on a statement to the City. No City funds were ever used, only City purchasing power. We will ensure that all future use of City purchasing power is used strictly for the benefit of the City. The use of purchase orders for all City purchases is being reviewed and a new policy will be adopted.

06-02. Accounts Receivable

Finding

We noted that the City has some significant accounts receivable that is several years old and has had little recent collection activity. Not collecting on accounts receivable promptly can result in the loss of funds owed to the City.

Recommendation

We recommend that the City take immediate action to collect on the old accounts receivable in order to ensure collection of the proper amounts.

Client Response

There are a couple of major accounts that are old. Payments have been made on both of them in the past few months and the City continues to work on them. The City Council is working with the parties and believes that the accounts will be paid off in time.

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the Mayor, City Council and management and is not intended to be used and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
October 24, 2006